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COMMERCE, DEPARTMENT OF

Two new publications aimed at helping prospective data users learn about Census Bureau manufacturing data have been issued by the Census Bureau. The first, "Guide to Industrial Statistics", describes the industrial statistics programs at the Bureau in general, and contains locator guides to manufacturing and mining data in both the censuses and other industrial reports. In addition, this Guide explains the Standard Industrial Classification system and how it is used in census and industrial publications. The other publication is a shorter version of the Guide, the "Industrial Statistics Data Finder". This booklet also has tables showing what industrial data the Bureau publishes and how to find the data it reports. Copies of the Guide are available from the GPO for \$2.75 each (S/N 003-024-01557-9). The Data Finder is for sale by the U.S. Bureau of the Census, Subscriber Services, Washington, D.C. 20233 at \$.50 per copy.

COMMODITY FUTURES TRADING COMMISSION

A three-year extension of the Commission's authorization was approved by the House Agriculture Committee on 5/10/78. The legislation (HR 10285) would grant the Commission the power to ban trading in so-called London options and to lift the suspension of dealer options trading in the U.S. Other provisions include an increase in the Commission's subpoena power; increased state authority to prosecute violators of the Federal Commodity Exchange Act; and authorization for the President to appoint a new Commission chairman. A similar measure was passed by the Senate Agriculture Committee in April, but that legislation would reauthorize the CFTC for six years.

In a related development, the White House has announced the appointment of David Gartner to a five-year term as commissioner of the CFTC. Mr. Gartner, former assistant to the late Sen. Hubert Humphrey (D-Minn), will replace John Rainbolt whose term expired last year.

The adoption of revised instructions to registration forms for all categories of registrants was announced in the 5/8/78 Fed. Reg., pp. 19647-49. The new instructions require all forms to be filed in the Central regional office in Chicago. The centralization of processing is expected to reduce filing costs and simplify the registration procedure. The changes are effective as of 5/5/78. For more information contact Robert Shiner at 202/254-9703.

COST ACCOUNTING STANDARDS BOARD

Comments are being solicited by the Board on proposals concerning the costs of facilities capital as related to assets not yet in service. The Board is considering the merits of extending the concept of "facilities capital" in order to recognize the cost related to contractor investments in assets under construction. Two approaches are under consideration for assigning such costs. The first is to capitalize the cost of money related to such investment as an element of the acquisition cost of constructed assets. The second approach is to allocate the proposed additional cost of money among the cost objectives of the current period.

FEDERAL RESERVE BOARD

Legislation authorizing the Comptroller General to audit the Federal Reserve System, Comptroller of the Currency, and Federal Deposit Insurance Corporation was approved by the Senate on 5/10/78. The measure (HR 2176) was previously passed by the House on 10/14/77. The Senate version includes an amendment designed to insure

the privacy of information concerning bank or bank customers obtained by the GAO in the course of its audits by deleting a section of the bill that provides that the GAO must furnish audit information to a "duly authorized" congressional committee or subcommittee on request. HR 2176 would require the GAO to make reports to Congress "as frequently as practicable". It would also require the agencies to permit GAO examiners access to statistically meaningful samples of bank examination reports, office space, copying facilities, telephones, and all files, memoranda, books, accounts and records.

The Federal bank regulatory agencies have announced revisions in their financial reporting requirements to require more detailed information about foreign operations of U.S. banks. The changes, which become effective with the 12/8/78 reports, affect the agencies' quarterly condition of income or "call" reports, and are meant to provide more information on the foreign operations of the 150 U.S. banks that have foreign offices. A number of changes would also affect any bank with \$300 million or more in assets. Banks below that size are affected by some relatively minor changes and by certain reductions in reporting requirements. The changes are intended to increase the effectiveness of bank supervision; make more quality information available about domestic and foreign commercial bank operations, and simplify bank reporting requirements.

FEDERAL TRADE COMMISSION

The Commission has urged the SEC not to adopt the uniform accounting standard for oil and gas producers proposed by the FASB in its Statement No. 19. In comments filed this week with the SEC, the FTC concluded that the successful efforts method of accounting should not be adopted as it has not been shown to be more accurate in reflecting the economic realities of the oil and gas industry than full cost accounting. According to the FTC, "while a change to a uniform accounting method for similarly situated firms would be desirable to increase comparability among such firms, as well as between this industry and others, unnecessary competitive harm will likely be inflicted on the independent sector because the proposed accounting method does not reflect a realistic and accurate perception of the oil and gas industry". The Commission thus joins the Department of Energy in opposing the proposed uniform accounting standard.

GENERAL ACCOUNTING OFFICE

"Effect of the Employee Retirement Income Security Act on the Termination of Single Employer Defined Benefit Pension Plans" is the title of a recent GAO report (4/27/78, HRD-78-90). The report concludes that ERISA did contribute greatly to pension plan terminations; however, other factors such as adverse business conditions and the cost of providing benefits played a significant role in decisions to terminate pension plans. GAO also states that "the adverse effect on American workers indicated by the number of terminations is misleading". According to the report, the Department of Labor, Internal Revenue Service, and Pension Benefit Guaranty Corporation have made progress in providing plan sponsors and administrators with guidance and have lessened the reporting and disclosure burden.

An updated list of reports currently available through the GAO has been issued. The pamphlet lists publications by subject and includes order numbers and information. Included in the catalogue are publications on such topics as consumer protection, employment, federal programs, financial statements of government corporations and agencies, government regulatory activities, health, and taxes. Copies of the list, "General Accounting Office Publications", may be obtained by contacting the GAO.

HEALTH, EDUCATION, AND WELFARE, DEPARTMENT OF

"The Administration's Welfare Reform Proposal: An Analysis of the Program for Better Jobs and Income" provides a summary of the current welfare system and an introduction and explanation of the President's plan for reforming the program. This analysis, which was prepared at the request of the Senate Budget Committee and the House Special Welfare Subcommittee, breaks the proposal down into sections dealing with such topics as program design, costs and fiscal impact of the proposal, effects of the proposal, and administration and implementation of the program. Copies of the analysis are available from the GPO (S/N 052-070-04513-2).

LABOR, DEPARTMENT OF

A proposed extension of an existing exemption which permits broker dealers to provide brokerage and incidental services to employee benefit plans to which they are fiduciaries appeared in the 5/5/78 Fed. Reg., pp. 19481-83. The proposal would extend the exemption until 12/1/78. Originally the exemption was scheduled to expire on 5/1/78, but that date coincided with the effective date of provisions under the securities laws which would, in effect, prohibit the same transactions as would ERISA by banning securities exchange members from effecting transactions for an account for which it exercises investment discretion. If adopted, the exemption will apply retroactively to 5/1/78.

A public hearing will be held on this proposed extension on 6/12/78 at the DOL Building in Washington. Requests to testify and an outline of a statement are due by 6/1/78. For more information on the proposal and the hearing, contact Daniel J. Shapiro at 202/523-7931.

OFFICE OF MANAGEMENT AND BUDGET

A booklet prepared by the Association of Government Accountants (AGA) for use in connection with Federal grant programs is now available. The booklet, "Review Guide for Grantees Financial Management Systems", was published by the OMB which anticipates that Federal agencies and grant recipients will experiment with it and communicate the results of their efforts to the OMB. According to the AGA, the guide is designed to be used by grantees, but can be used by grantors during site visits. The strength or weaknesses in the financial system will be revealed by answers to the questions posed in the guide and audits can be focused on areas that appear to warrant attention. The Review Guide can be obtained from the GPO for \$1.30 per copy (041-001-00162-0).

"Guidelines for the Use of Consultant Services" (OMB Bulletin 78-11) were published in the 5/10/78 Fed. Reg., pp. 20065-67. The bulletin establishes policy and guidance for the executive branch for the use of consultant services from individuals and organizations. Management services are covered by the circular but audits by CPAs are excluded. Consulting services won't be used in work of a decision-making basis; or to by-pass personnel procedures such as pay limitations or hiring procedures; and will normally be used on a temporary basis. Under the bulletin, all agencies will submit a report to the OFPP on 6/30/78 outlining the number of consultant arrangements, personnel appointments, procurement contracts and advisory committee memberships. The bulletin is effective immediately. For more information, contact Herman Shipley at 202/393-3340.

SECURITIES AND EXCHANGE COMMISSION

An amendment to Guide 42 of the Guides for the Preparation and Filing of Registration Statements under the Securities Act of 1933 appeared in the 5/12/78 Fed. Reg.,

pp. 20484-86, (Rel. 33-5929). Guide 42 relates to the submission of supplemental material to the staff in connection with the filing of a registration statement, indicating generally which material should be submitted. The amendment is intended to clarify the requirements and operation of the Guide as well as to relax its requirements in certain instances. The amendment to Guide 42 is effective as of 5/12/78. For further information contact Catherine Scalton at 202/755-1998.

Legislation increasing the size of an offering exempt from the registration requirements under Section 3(b) of the '33 Act has been sent to the White House. Congress gave final approval to the conference report on HR 8331, which deals in general with the Securities Investor Protection Corporation. The conference agreement would raise the Regulation "A" exemption for small securities offerings from \$500,000 to \$1.5 million. This increase is intended to compensate for inflation and make it easier for smaller firms to raise capital. Senate conferees had originally proposed an increase to \$2.5 million but agreed to the \$1.5 million figure in order to clear the bill for final approval.

TREASURY, DEPARTMENT OF

A rollback in social security taxes has been approved by the House Ways and Means Committee. By a vote of 19-18, the Committee approved a proposal to reduce the payroll tax rate for 1979 and 1980 from 6.13% to 5.85% and cut the wage base by \$1,000 in 1979 and \$2,000 in 1980. The tie-breaking vote was cast by Chairman Al Ullman (D-Ore) who has previously opposed a social security tax rollback. Prior to the rollback vote, the Committee rejected a motion to finance the social security system with one-third contributions from general revenues, employer and employee payroll taxes.

A bill that would extend the pre-1976 tax treatment of foreign income through 1977 was approved by the Senate on 5/11/78. HR 9251, the "Tax Treatment Extensions Act" was passed by a voice vote after it was agreed that beginning in 1978 a package of deductions would replace the existing \$20,000 exclusion under Section 911. The deductions would cover such items as excessive housing and education costs. The bill now goes to conference to resolve the differences in the House- and-Senate-passed bills.

A bill that would rollback capital gains taxes to pre-1969 levels, remove capital gains from the minimum tax, and make the top capital gains rate 50% has been introduced by Sen. Clifford Hansen (R-Wyo) and 53 co-sponsors. The Hansen bill (S.3065) is identical to a bill (HR 12111) introduced by Rep. William Steiger (R-Wisc) which has received wide support on the House Ways and Means Committee. In introducing the "Investment Incentive Act of 1978", Sen. Hansen declared that the proposed cut in capital gains taxes would lead to the creation of almost one half million jobs per year and increase revenues by \$45 billion by 1985. A copy of S.3065 and Sen. Hansen's introductory remarks appeared in the 5/11/78 Cong. Record, pp. S7344-46.

A proposed rule which would implement the Combined Annual Wage Reporting System has been issued by the IRS (see the 5/10/78 Fed. Reg., pp. 20020-22). Under the system, employers will no longer be required to specify the employment tax data for each employee on Schedule A of Forms 941 and 943. This would eliminate the need to file quarterly reports. Required information would be included on the Form W-2 which would be filed with the Social Security Administration. Pertinent information would then be transferred to the IRS. Comments on the proposal and a request for a hearing are due by 7/7/78. For further information contact James E. Maule at 202/566-3350.

The House Rules Committee has voted to allow consideration of amendments to the tuition tax credit bill (HR 12050) when it is considered by the full House. As approved by the Ways and Means Committee, HR 12050 would provide a tax credit for tuition expenses of post-secondary education limited to 25% of expenses up to \$100 in 1978, and \$150 in 1979 and \$250 in 1980. The Rules Committee action will permit a vote on the controversial proposal to include tuition payments to private and nonprofit elementary and secondary schools as eligible for the credit.

A department study entitled "Effective Income Tax Rates Paid by U.S. Corporations in 1972" has been released. The study, published by the Office of Tax Analysis, found that among nonfinancial corporation, the effective tax rate increased with the size of the corporation assets. The report divides corporations into 19 industrial categories and lists the effective tax rate for corporations by industry and by size. Copies of the report are available from the GPO (S/N 048-000-00312-5) for \$2.30 each.

For further information contact:
Steve Woolf or Susan Retter
202/872-8190

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